

SUGGESTED TALKING POINTS FOR THE DCI

OPENING REMARKS

CONFERENCE ON THE COMMERCIAL AIRCRAFT INDUSTRY

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LADIES AND GENTLEMEN I WOULD LIKE TO WELCOME YOU TO THIS CONFERENCE ON THE INTERNATIONAL COMMERCIAL AIRCRAFT INDUSTRY. IN RECENT YEARS, CIA HAS BEEN MAKING A MAJOR EFFORT TO ANALYZE TRENDS IN FOREIGN INDUSTRIAL COMPETITION AND THE ATTENDANT IMPLICATIONS FOR THE NATIONAL SECURITY OF THE UNITED STATES. IT IS PART OF THE NEW ANALYTIC AGENDA THAT HAS BEEN HELPING REVOLUTIONIZE THE INTELLIGENCE PROFESSION DURING THE 1970'S.

WITHIN THIS CONTEXT I CAN'T THINK OF A MORE APPROPRIATE SECTOR TO STUDY THAN COMMERCIAL AIRCRAFT. THE HEALTH AND WELL-BEING OF THE COMMERCIAL AIRCRAFT INDUSTRY IS VITAL TO OUR NATIONAL SECURITY. IT HAS DOMINATED WORLD MARKETS SINCE THE END OF WORLD WAR II, IN PART A LEGACY OF THE TECHNOLOGY AND PRODUCTION BASE CREATED FOR THAT WAR. THE RESOURCES THAT DESIGN AND DEVELOP NEW COMMERCIAL AIRCRAFT ARE KEY TO US MILITARY PROGRAMS. AND THE PRODUCTION BASE FOR COMMERCIAL AIRCRAFT--COMPRISED OF 5,000 FIRMS AND 250,000 PEOPLE--IS AVAILABLE IN AN EMERGENCY TO SUPPORT SURGE MILITARY PRODUCTION.

NOW FOREIGN INROADS INTO THIS INDUSTRY ARE RAISING THE SPECTOR OF DEPENDENCE ON FOREIGN SOURCES OF SUPPLY AND TECHNOLOGY. FOREIGN SUCCESS IN TARGETING THE AIRCRAFT SECTOR IS THREATENING TO REDUCE DOMESTIC PROFITS AND EAT INTO OUR CAPABILITY TO SUPPORT THE R&D AND NEW MANUFACTURING TECHNOLOGY NECESSARY TO REMAIN A LEADING PLAYER IN THIS VERY COMPETITIVE GAME.

ALTHOUGH THE UNITED STATES RETAINS AN OVERALL LEAD IN AIRCRAFT PROPULSION, AVIONICS, AND AERODYNAMICS TECHNOLOGY, ITS TRADITIONAL DOMINANCE HAS BEEN REDUCED.

- EUROPE'S AIRBUS INDUSTRIE, FOR EXAMPLE, HAS THE TECHNOLOGY TO OFFER COMPETITIVE PRODUCTS AND IS A FORMIDABLE COMPETITOR.
- THE FRENCH AVIONICS INDUSTRY IS SECOND ONLY TO THE UNITED STATES IN TECHNOLOGY AND PRODUCT LINE, AND THE GAP HAS BEEN CLOSING RAPIDLY OVER THE LAST 10 YEARS.
- WEST GERMANY'S MBB HAS A FLEXIBLE MANUFACTURING SYSTEM AND A FACILITY INCORPORATING COMPUTER INTEGRATED MANUFACTURING THAT IS AMONG THE MOST ADVANCED IN THE WORLD.
- FOR THEIR PART, THE JAPANESE HAVE UNIQUE AUTOMATED PRODUCTION EQUIPMENT THAT CUTS COSTS AND IMPROVES QUALITY.

I DO NOT BELIEVE THAT THE UNITED STATES CAN TOLERATE A CONTINUED WEAKENING OF OUR COMPETITIVE POSITION. IN THE PAST, US GOVERNMENT-FUNDED MILITARY AIRCRAFT PROGRAMS PROVIDED THE CIVIL SECTOR A CONTINUING FLOW OF TECHNOLOGY AND MANUFACTURING CAPABILITY. THAT FLOW HAS NOW REVERSED. AS FEWER NEW MILITARY PROGRAMS ARE LAUNCHED, MUCH OF THE BURDEN FOR DEVELOPING THESE TECHNOLOGIES HAS SHIFTED TO THE CIVIL SECTOR. EXAMPLES INCLUDE:

- INERTIAL NAVIGATION SYSTEMS;
- ADVANCED COCKPIT INFORMATION SYSTEMS; AND
- ENGINE HOT SECTION TECHNOLOGY.

I HOPE THAT DURING THE COURSE OF THIS CONFERENCE WE CAN TOGETHER
BETTER UNDERSTAND THE IMPORTANT TECHNOLOGY TRENDS AND OTHER FACTORS
THAT WILL AFFECT THE LONG-TERM HEALTH OF THIS IMPORTANT INDUSTRY.

STAT TO GET THE MORNING SESSION UNDERWAY, LET ME TURN THE FLOOR OVER
TO CHIEF OF OUR INDUSTRIAL ANALYSIS BRANCH, IN THE
OFFICE OF GLOBAL ISSUES.